

AMKOR TECHNOLOGY, INC.  
Form 10-Q  
October 30, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
For the Quarterly Period Ended September 30, 2015

or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
For the transition period from            to

Commission File Number 000-29472  
AMKOR TECHNOLOGY, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State of incorporation)

23-1722724  
(I.R.S. Employer  
Identification Number)

2045 East Innovation Circle  
Tempe, AZ 85284  
(Address of principal executive offices and zip code)  
(480) 821-5000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The number of outstanding shares of the registrant's Common Stock as of October 23, 2015 was 237,363,257.

## QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended June 30, 2015

## TABLE OF CONTENTS

	Page
<u>PART I. Financial Information</u>	
<u>Item 1. Financial Statements (unaudited)</u>	<u>2</u>
<u>Consolidated Statements of Income - Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income - Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>3</u>
<u>Consolidated Balance Sheets - September 30, 2015 and December 31, 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2015 and 2014</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>30</u>
<u>PART II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>30</u>
<u>Item 1A. Risk Factors</u>	<u>31</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>46</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>46</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>46</u>
<u>Item 5. Other Information</u>	<u>46</u>
<u>Item 6. Exhibits</u>	<u>46</u>
<u>Signatures</u>	<u>47</u>

This report contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: (1) the amount, timing and focus of our expected capital investments in 2015 and 2016, including expenditures in support of customer demand in the mobile communications market and expenditures related to our new factory and research and development facility in Korea, (2) our ability to fund our operating activities for the next twelve months, (3) the relationship between our revenue levels and gross margin, (4) the focus of our research and development activities, (5) the expiration of tax holidays in jurisdictions in which we operate and expectations regarding our effective tax rate, (6) expectations regarding our deferred tax assets and the establishment or release of valuation allowances related to such tax assets in the future, (7) our repurchase or repayment of outstanding debt or the conversion of debt in the future, (8) payment of dividends to our stockholders and the tax impact of dividends from our foreign subsidiaries, (9) compliance with our covenants, (10) expected contributions to foreign pension plans, (11) liability for unrecognized tax benefits and the potential impact of our unrecognized tax benefits on our effective tax rate, (12) the effect of foreign currency exchange rate exposure on our financial results, (13) the volatility of the trading price of our common stock, (14) changes to benefit plans for our employees in Korea and related funding requirements, (15) the anticipated schedule for construction of our new factory and research and development facility in Korea, (16) our plan to increase our ownership of J-Devices and consolidation of J-Devices' results into our consolidated financial statements, (17) our efforts to enlarge our customer base in certain geographic areas and markets, (18) demand for advanced packages in mobile devices and our technology leadership and potential growth in this market (19) expectations regarding the mobile device market and the impact of current macroeconomic conditions on our revenue growth in the future and (20) other statements that are not historical facts. In some cases,

you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “intend” or the negative of these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of various factors, including those set forth in the following report as well as in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

AMKOR TECHNOLOGY, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Net sales	\$734,362	\$812,824	\$2,213,959	\$2,276,327
Cost of sales	607,762	659,607	1,837,314	1,843,576
Gross profit	126,600	153,217	376,645	432,751
Selling, general and administrative	54,232	61,600	173,609	191,698
Research and development	21,073	16,437	59,119	59,561
Total operating expenses	75,305	78,037	232,728	251,259
Operating income	51,295	75,180	143,917	181,492
Interest expense	17,695	23,780	64,317	70,039
Interest expense, related party	1,243	1,243	3,727	3,727
Other (income) expense, net	(11,576)	(9,626)	(4,784)	(15,289)
Total other expense, net	7,362	15,397	63,260	58,477
Income before taxes and equity in earnings of unconsolidated affiliate	43,933	59,783	80,657	123,015
Income tax expense	16,568	14,985	27,198	32,425
Income before equity in earnings of unconsolidated affiliate	27,365	44,798	53,459	90,590
Equity in earnings of J-Devices	1,656	3,372	15,460	29,169
Net income	29,021	48,170	68,919	119,759
Net income attributable to noncontrolling interests	(847)	(1,073)	(2,386)	(2,508)
Net income attributable to Amkor	\$28,174	\$47,097	\$66,533	\$117,251
Net income attributable to Amkor per common share:				
Basic	\$0.12	\$0.20	\$0.28	\$0.51
Diluted	\$0.12	\$0.20	\$0.28	\$0.50
Shares used in computing per common share amounts:				
Basic	236,888	236,337	236,813	228,733
Diluted	236,974	237,509	237,168	236,672

The accompanying notes are an integral part of these statements.

Table of Contents

AMKOR TECHNOLOGY, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income	\$29,021	\$48,170	\$68,919	\$119,759
Other comprehensive income (loss), net of tax:				
Adjustments to unrealized components of defined benefit pension plans, net of tax	22	16	66	622
Foreign currency translation adjustment	10	(98	) (102	) (11,906
Equity interest in J-Devices' other comprehensive income (loss), net of tax	4,587	(9,645	) 537	(5,939
Total other comprehensive income (loss)	4,619	(9,727	) 501	(17,223
Comprehensive income	33,640	38,443	69,420	102,536
Comprehensive income attributable to noncontrolling interests	(847	) (1,073	) (2,386	) (2,508
Comprehensive income attributable to Amkor	\$32,793	\$37,370	\$67,034	\$100,028

The accompanying notes are an integral part of these statements.

Table of ContentsAMKOR TECHNOLOGY, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2015	December 31, 2014
	(In thousands, except per share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$430,444	\$449,946
Restricted cash	2,000	2,681
Accounts receivable, net of allowances	410,256	469,683
Inventories	208,213	223,379
Other current assets	53,858	52,259
Total current assets	1,104,771	1,197,948
Property, plant and equipment, net	2,284,901	2,206,476
Investments	146,639	117,733
Restricted cash	2,163	2,123
Other assets	109,014	111,125
Total assets	\$3,647,488	\$3,635,405
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$—	\$5,000
Trade accounts payable	279,260	309,025
Capital expenditures payable	221,281	127,568
Accrued expenses	251,650	258,997
Total current liabilities	752,191	700,590
Long-term debt	1,365,376	1,450,824
Long-term debt, related party	75,000	75,000
Pension and severance obligations	149,952	152,673
Other non-current liabilities	101,564	125,382
Total liabilities	2,444,083	2,504,469
Commitments and contingencies (Note 17)		
Amkor stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized, designated Series A, none issued	—	—
Common stock, \$0.001 par value, 500,000 shares authorized, 282,597 and 282,231 shares issued, and 236,906 and 236,627 shares outstanding, in 2015 and 2014, respectively	283	282
Additional paid-in capital	1,882,529	1,878,810
Accumulated deficit	(450,429	) (516,962 )
Accumulated other comprehensive loss	(32,366	) (32,867 )
Treasury stock, at cost, 45,691 and 45,604 shares in 2015 and 2014, respectively	(213,576	) (213,028 )
Total Amkor stockholders' equity	1,186,441	1,116,235
Noncontrolling interests in subsidiaries	16,964	14,701
Total equity	1,203,405	1,130,936
Total liabilities and equity	\$3,647,488	\$3,635,405

The accompanying notes are an integral part of these statements.

- 4-

---

Table of Contents

AMKOR TECHNOLOGY, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	For the Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net income	\$68,919	\$119,759
Depreciation and amortization	371,968	340,089
Loss on debt retirement	2,530	—
Gain on sale of subsidiary to J-Devices	—	(9,155)
Other operating activities and non-cash items	(14,752)	(27,811)
Changes in assets and liabilities	(5,299)	(17,214)
Net cash provided by operating activities	423,366	405,668
Cash flows from investing activities:		
Payments for property, plant and equipment	(352,644)	(442,308)
Proceeds from sale of property, plant and equipment	5,212	2,170
Cash received (transferred) on sale of subsidiary to J-Devices, net	8,355	(15,774)
Investment in J-Devices	(12,908)	—
Purchase of short-term investment	—	(20,000)
Proceeds from short-term investment	—	20,000
Other investing activities	(869)	(389)
Net cash used in investing activities	(352,854)	(456,301)
Cash flows from financing activities:		
Borrowings under revolving credit facilities	180,000	—
Payments under revolving credit facilities	(100,000)	—
Proceeds from issuance of long-term debt	360,000	80,000
Payments of long-term debt	(530,000)	(140,000)
Payment of deferred consideration for an acquisition	—	(18,763)
Proceeds from the issuance of stock through share-based compensation plans	657	5,826
Payments of tax withholding for restricted shares	(548)	(1,348)
Payments of subsidiary dividends to noncontrolling interests	(123)	—
Net cash used in financing activities	(90,014)	(74,285)
Effect of exchange rate fluctuations on cash and cash equivalents	—	68
Net decrease in cash and cash equivalents	(19,502)	(124,850)
Cash and cash equivalents, beginning of period	449,946	610,442
Cash and cash equivalents, end of period	\$430,444	\$485,592
Non cash investing and financing activities:		
Property, plant and equipment included in capital expenditures payable	\$221,281	\$295,027
Common stock issuance for conversion and exchange in 2014 of 6.0% Convertible senior subordinated notes due April 2014	—	56,350

The accompanying notes are an integral part of these statements.





Table of Contents

AMKOR TECHNOLOGY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Interim Financial Statements

**Basis of Presentation.** The Consolidated Financial Statements and related disclosures as of September 30, 2015, and for the three and nine months ended September 30, 2015 and 2014, are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). The December 31, 2014, Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S.”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair statement of the results for the interim periods. These financial statements should be read in conjunction with the financial statements included in our Annual Report for the year ended December 31, 2014, filed on Form 10-K with the SEC on February 19, 2015. The results of operations for the three and nine months ended September 30, 2015, are not necessarily indicative of the results to be expected for the full year. Unless the context otherwise requires, all references to “Amkor,” “we,” “us,” “our” or the “company” are to Amkor Technology, Inc. and our subsidiaries.

**Use of Estimates.** The Consolidated Financial Statements have been prepared in conformity with U.S. GAAP, using management’s best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments.

2. New Accounting Standards

Recently Issued Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and changes in judgments. ASU 2014-09 permits the use of either full retrospective or modified retrospective methods of adoption. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date by one year to December 15, 2017, for interim and annual reporting periods beginning after that date. Early adoption is permitted, but not before the original effective date of December 15, 2016. We are currently evaluating the method of adoption and the impact that this guidance will have on our financial statements and disclosure.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, Interest - Imputation of Interest (Subtopic 835-30):

Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update), which clarifies that companies may continue to present unamortized debt issuance costs associated with line of credit arrangements as an asset. ASU 2015-03 and ASU 2015-15 are effective for interim and annual reporting periods beginning after December 15, 2015, and require retrospective application. Early adoption is permitted. ASU 2015-03 and ASU 2015-15 are not expected to have a significant impact on our financial statements and disclosure.

In April 2015, the FASB issued ASU 2015-05, Intangibles - Goodwill and Other Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a

Table of Contents

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. ASU No. 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. ASU 2015-05 is not expected to have a significant impact on our financial statements and disclosure.

In July 2015, the FASB issued ASU 2015-11, Inventory - Simplifying the Measurement of Inventory (Topic 330). ASU 2015-11 requires inventory to be subsequently measured using the lower of cost and net realizable value, thereby eliminating the market value approach. Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied prospectively. Early adoption is permitted. We are currently evaluating the impact that this guidance will have on our financial statements and disclosure.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are identified, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for reporting periods beginning after December 15, 2015 and is applied prospectively. Early adoption is permitted. ASU 2015-16 may affect our financial statements to the extent we have business combinations in the future.

### 3. Sale of Subsidiary to J-Devices

On June 30, 2014, we sold 100% of the shares of our wholly-owned subsidiary engaged in semiconductor packaging and test operations in Japan to J-Devices Corporation ("J-Devices"), our equity-method joint venture in Japan, for ¥1.1 billion. For additional information regarding our investment in J-Devices, we refer you to Note 12. We received ¥0.1 billion (\$1.0 million) in cash from J-Devices at closing and received the remaining ¥1.0 billion (\$8.4 million) on June 30, 2015. We recognized a net gain on the sale of \$9.2 million in our consolidated financial statements in other (income) expense, net, which includes a gain of \$12.6 million from the release of accumulated foreign currency translation adjustments associated with the entity (Note 8). J-Devices recognized a gain of \$14.7 million on the transaction in its consolidated financial statements as the fair value of the net assets acquired exceeded the purchase price. The gain recognized by J-Devices increased our equity in earnings of J-Devices by \$8.8 million. The combined net gain we recognized was \$18.0 million.

Table of Contents

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

## 4. Share-Based Compensation Plans

For the three and nine months ended September 30, 2015, we recognized share-based compensation attributable to stock options and restricted shares of \$0.8 million and \$3.1 million, respectively. For the three and nine months ended September 30, 2014, we recognized share-based compensation attributable to stock options and restricted shares of \$0.9 million and \$2.8 million, respectively. For the three and nine months ended September 30, 2015 and 2014, we recognized these costs primarily in selling, general and administrative expenses. There were no corresponding deferred income tax benefits for stock options or restricted shares.

## Stock Options

The following table summarizes our stock option activity for the nine months ended September 30, 2015:

	Number of Shares (In thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2014	3,822	\$6.25		
Granted	315	7.12		
Exercised	(141)	) 4.70		
Forfeited or expired	(207)	) 5.20		
Outstanding at September 30, 2015	3,789	\$6.44	6.12	\$206
Fully vested at September 30, 2015 and expected to vest thereafter	3,768	\$6.44	6.11	\$204
Exercisable at September 30, 2015	2,546	\$6.95	5.04	\$103

The following assumptions were used to calculate the weighted average fair values of the options granted:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		
	2015	2014	2015	2014	
Expected life (in years)	6.0	6.1	5.8	6.1	
Risk-free interest rate	1.8	% 2.0	% 1.8	% 2.0	%
Volatility	44	% 56	% 45	% 57	%
Dividend yield	—	—	—	—	
Weighted average grant date fair value per option granted	\$2.33	\$5.43	\$3.20	\$4.46	

Total unrecognized compensation expense from stock options, net of a forfeiture estimate, was \$3.1 million as of September 30, 2015, which is expected to be recognized over a weighted-average period of approximately 2.0 years beginning October 1, 2015.



Table of Contents

AMKOR TECHNOLOGY, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)  
 (Unaudited)

## Restricted Shares

The following table summarizes our restricted share activity for the nine months ended September 30, 2015:

	Number of Shares (In thousands)	Weighted Average Grant-Date Fair Value (Per share)
Nonvested at December 31, 2014	660	\$4.58
Awards granted	49	7.30
Awards vested	(227)	) 4.87
Awards forfeited	(25)	) 4.47
Nonvested at September 30, 2015	457	\$4.73

Total unrecognized compensation cost from restricted shares, net of a forfeiture estimate, was \$1.8 million as of September 30, 2015, which is expected to be recognized over a weighted average period of approximately 1.4 years beginning October 1, 2015.

## 5. Other Income and Expense

Other income and expense consists of the following:

	For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
	(In thousands)			
Interest income	\$(523)	) \$(920)	) \$(2,196)	) \$(2,462)
Foreign currency gain, net	(8,499)	) (7,928)	) (9,751)	) (3,381)
Loss on debt retirement	—	—	9,560	757
Gain on sale of subsidiary to J-Devices (Note 3)	—	—	—	(9,155)
Other income, net	(2,554)	) (778)	) (2,397)	) (1,048)
Total other (income) expense, net	\$(11,576)	) \$(9,626)	) \$(4,784)	) \$(15,289)

## 6. Income Taxes

Our income tax expense of \$27.2 million for the nine months ended September 30, 2015 primarily reflects income taxes at certain of our foreign operations and foreign withholding taxes. Our income tax expense also reflects income taxed in foreign jurisdictions where we benefit from tax holidays.

We monitor on an ongoing basis our ability to utilize our deferred tax assets and whether there is a need for a related valuation allowance. In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. For most of our foreign deferred tax assets, we consider it more likely than not that we will have sufficient taxable income to allow us to realize these deferred tax assets. However, in the event taxable income falls short of current expectations, we may

need to establish a valuation allowance against such deferred tax assets. We have valuation allowances on select deferred tax assets in certain foreign jurisdictions. We also maintain a valuation allowance on all of our U.S. net deferred tax assets, including our net operating loss carryforwards. Such valuation allowances are released as the related tax benefits are realized or when sufficient evidence exists to conclude that it is more likely than not that the deferred tax assets will be realized.

- 9-

---



Table of Contents

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Unrecognized tax benefits represent reserves for potential tax deficiencies or reductions in tax benefits that could result from federal, state or foreign tax audits. Our gross unrecognized tax benefits decreased from \$12.7 million at December 31, 2014, to \$10.4 million at September 30, 2015, primarily due to a change in filing position. At September 30, 2015, all of our unrecognized tax benefits would reduce our effective tax rate, if recognized. Our unrecognized tax benefits are subject to change as examinations of tax years are completed. Tax return examinations involve uncertainties, and there can be no assurances that the outcome of examinations will be favorable.

## 7. Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income attributable to Amkor common stockholders by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding includes restricted shares held by retirement eligible recipients and is reduced for treasury stock.

Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding stock options, unvested restricted shares and convertible debt. The following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Net income attributable to Amkor	\$28,174	\$47,097	\$66,533	\$117,251
Income allocated to participating securities	—	(149	) (102	) (383
Net income available to Amkor common stockholders — basic	28,174	46,948	66,431	116,868
Adjustment for dilutive securities on net income:				
Net income reallocated to participating securities	—	—	—	9
Interest on 6.0% convertible notes due 2014, net of tax	—	—	—	1,039
Net income attributable to Amkor — diluted	\$28,174	\$46,948	\$66,431	\$117,916
Weighted average shares outstanding — basic	236,888	236,337	236,813	228,733
Effect of dilutive securities:				
Stock options and restricted share awards	86	1,172	355	841
6.0% convertible notes due 2014	—	—	—	7,098
Weighted average shares outstanding — diluted	236,974	237,509	237,168	236,672
Net income attributable to Amkor per common share:				
Basic	\$0.12	\$0.20	\$0.28	\$0.51
Diluted	0.12	0.20	0.28	0.50

The following table summarizes the potential shares of common stock that were excluded from diluted EPS, because the effect of including these potential shares was antidilutive:

Edgar Filing: AMKOR TECHNOLOGY, INC. - Form 10-Q

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(In thousands)			
Stock options and restricted share awards	3,477	1,139	1,861	1,344

- 10-

---

Table of Contents

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

## 8. Equity and Accumulated Other Comprehensive Income (Loss)

The following tables reflect the changes in equity attributable to both Amkor and the noncontrolling interests:

	Attributable to Amkor	Attributable to Noncontrolling Interests	Total
	(In thousands)		
Equity at December 31, 2014	\$ 1,116,235	\$ 14,701	\$ 1,130,936
Net income	66,533	2,386	68,919
Other comprehensive income	501	—	501
Issuance of stock through employee share-based compensation plans	657	—	657
Treasury stock acquired through surrender of shares for tax withholding	(548)	—	(548)
Share-based compensation	3,063	—	3,063
Subsidiary dividends paid to noncontrolling interests	—	(123)	(123)
Equity at September 30, 2015	\$ 1,186,441	\$ 16,964	\$ 1,203,405
	(In thousands)		
	Attributable to Amkor	Attributable to Noncontrolling Interests	Total
Equity at December 31, 2013	\$ 953,740	\$ 11,200	\$ 964,940
Net income	117,251	2,508	119,759
Other comprehensive loss	(17,223)	—	(17,223)
Issuance of stock through employee share-based compensation plans	5,826	—	5,826
Treasury stock acquired through surrender of shares for tax withholding	(1,348)	—	(1,348)
Share-based compensation	2,766	—	2,766
Conversion of debt to common stock	56,350	—	56,350
Equity at September 30, 2014	\$ 1,117,362	\$ 13,708	\$ 1,131,070

The following tables reflect the changes in accumulated other comprehensive income (loss), net of tax:

	Defined Benefit Pension	Foreign Currency Translation	Equity Interest in J-Devices' Other Comprehensive Income (Loss)	Total
	(In thousands)			
Accumulated other comprehensive loss at December 31, 2014	\$ (2,525)	\$ (513)	\$ (29,829)	\$ (32,867)
Other comprehensive (loss) income before reclassifications	—	(102)	537	435
Amounts reclassified from accumulated other comprehensive loss	66	—	—	66
Other comprehensive income (loss)	66	(102)	537	501
Accumulated other comprehensive loss at September 30, 2015	\$ (2,459)	\$ (615)	\$ (29,292)	\$ (32,366)



Table of Contents

## AMKOR TECHNOLOGY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

	Defined Benefit Pension	Foreign Currency Translation	Equity Interest in J-Devices' Other Comprehensive Income (Loss)	Total
	(In thousands)			
Accumulated other comprehensive (loss) income at December 31, 2013	\$(1,013	) \$11,451	\$ (10,693	) \$(255
Other comprehensive income (loss) before reclassifications	—	681	(5,939	) (5,258
Amounts reclassified from accumulated other comprehensive (loss) income	622	(12,587	) —	(11,965
Other comprehensive income (loss)	622	(11,906	) (5,939	) (17,223
Accumulated other comprehensive loss at September 30, 2014	\$(391	) \$(455	) \$ (16,632	) \$(17,478

Amounts reclassified out of accumulated other comprehensive (loss) income are included as a component of net periodic pension cost (Note 15) or other (income) expense, net as a result of the release of accumulated foreign currency translation adjustments associated with the sale of our subsidiary in Japan (Note 3).

## 9. Factoring of Accounts Receivable

In certain foreign locations, we use non-recourse factoring arrangements with third party financial institutions to manage our working capital and cash flows. Under this program, we sell receivables to a financial institution for cash at a discount to the face amount. As part of the factoring arrangements, we perform certain collection and administrative functions for the receivables sold. For the three and nine months ended September 30, 2015, we sold accounts receivable totaling \$82.4 million and \$235.3 million, respectively, for a discount, plus fees, of \$0.3 million and \$1.1 million, respectively. For the three and nine months ended September 30, 2014, we sold accounts receivable totaling \$102.0 million and \$226.8 million, respectively, for a discount, plus fees, of \$0.4 million and \$1.0 million, respectively.

## 10. Inventories

Inventories consist of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Raw materials and purchased components	\$ 150,736	\$ 161,942
Work-in-process	57,477	61,437
Total inventories	\$ 208,213	\$ 223,379



Table of Contents

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

11. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Land	\$207,985	\$207,985